



To: Chairmen Cassano and Jutila, Ranking Members McLachlan and Smith, and other distinguished members of the Government Administration and Elections Committee

From: Anne Noble, President and CEO, CT Lottery Corporation

Re: SB 439: AAC the State Contracting Standards Board and Requirements for Privatization Contracts

Date: 3/18/16

Position: Opposed.

Bill Summary: This bill redefines “privatization contract” to include any procurement for \$50,000 or more and requires quasi-public agencies, including the CT Lottery Corporation, to bring any procurement that could be “provided, in whole or in part, by state employees” to the State Contracting Standards Board for approval. Further, if the procurement is more than one million dollars, the CT Lottery must provide a cost-effectiveness assessment.

Background: In 1996, the CT General Assembly moved the state lottery out of the Division of Special Revenue into a quasi-public agency called the CT Lottery Corporation. The CT Lottery Corporation’s mission is to raise revenue in an entrepreneurial manner for the State of Connecticut, consistent with the highest standards of good public policy and social responsibility, by offering products to our players that are fun and entertaining, and by ensuring the public’s trust through integrity and honesty. The CT Lottery Corporation is an enterprise fund and operates more like a business than a state agency. We do GAAP accounting, and we are subject to both state auditors and private financial auditors (our Board of Directors approves the selection of the latter auditors).

Our enabling legislation, specifically CGS §12-815, explicitly authorizes the CT Lottery Corporation to enter into its own contracts and make its own purchasing decisions. Our Board of Directors also approves our purchasing policy. Our contracts and purchases are not boilerplate or routine. Our contracts and purchases reflect complex business demands, market conditions and needs unique to operating a gaming business. Curtailing and delaying our purchasing and contracting latitude – essential to our effectiveness as an entrepreneurial organization – will negatively impact the CT Lottery’s revenue generating mission and its returns to the General Fund.

Justification for Opposition: As stated above, the CT Lottery Corporation’s mission is to raise revenue for the state of CT. We have had six consecutive years of record General Fund transfers, and we are anticipating that this will be year seven. Our enabling legislation,

including CGS §12-815, allows us to be quick and nimble and operate more like a business than a traditional state agency. If this bill passes then, for example, the CT Lottery Corporation will likely have to go to the State Contracting Standards Board every time we want to use outside counsel (we are not represented by the Attorney General), hire an accountant, hire an advertising firm or seek expertise from gaming system experts. These types of contracts are integral and add value to our business that cannot necessarily be duplicated easily within the organization.

When we go out to bid for our gaming system, we could also be required to provide a cost effective assessment. This large contract must already be approved by our Board. Going to the State Contracting Standards Board is an unnecessary and burdensome step. Like any business, the CT Lottery evaluates cost in every purchasing decision made. This bill will impede efficient procurement operations.

The CT Lottery's position is that this bill is unnecessary, anti-business and fundamentally inconsistent with the Lottery's existing statutes. If this bill passes, the business operations of the CT Lottery Corporation will quickly decelerate, revenue growth will be stunted, and General Fund transfers will be negatively impacted.

As states have looked to start a lottery or modernize a lottery, Connecticut is often looked to as a model. This bill is a detriment to that model and a step backwards.